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PRESIDENT OF LEXINGTON, ROYCE & ASSOCIATES CHARGED
BY U.S. WITH WIRE FRAUD IN FOREIGN CURRENCY TRADING SCHEME

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced the unsealing of a criminal Complaint in Manhattan federal court late yesterday charging ARTOUR ARAKELIAN, the President of Lexington, Royce & Associates, Inc. ("Lexington Royce"), with scheming to defraud investors in the foreign currency markets.

According to the Complaint, ARAKELIAN founded Lexington Royce in September 2003, purportedly to operate a "Managed Account Program," whereby retail investors could contribute to a pooled account that would trade in foreign currencies. ARAKELIAN is alleged to have caused brokers to raise money for Lexington Royce by misrepresenting the history and financial success of Lexington Royce, and by misrepresenting what Lexington Royce intended to do with the investors' money.

According to the Complaint, investors were induced to contribute to the Managed Account Program by means of a variety of misstatements and omissions of important facts. For instance, Lexington Royce claimed to have been in the financial services industry for 20 years, when the company had only been established

in 2003, it was charged. In addition, Lexington Royce claimed to have trading and investment relationships with large financial institutions, such as Washington Mutual Bank and JP Morgan Chase Bank, when the company had no such alleged relationships. The Complaint further alleges that Lexington Royce's brokers provided prospective investors with telephone numbers for "references" for the Managed Account Program, which were actually prepaid cellular telephone numbers that were used by participants in the scheme.

In fact, the Complaint alleges, ARAKELIAN and others raised approximately \$2.2 million of investor money and diverted virtually all of it to purposes other than foreign currency trading. Approximately \$220,000 in investor funds was transferred by ARAKELIAN to bank accounts in Latvia and Costa Rica. In addition, ARAKELIAN wrote more than \$600,000 in checks, and wire-transferred approximately \$500,000, to a Brooklyn-based company called 65J, Inc., which then cashed the checks at a local check-cashing company.

The Government also obtained several warrants yesterday seizing hundreds of thousands of dollars in investor funds that still remained in bank accounts maintained by Lexington Royce and 65J.

If convicted, ARAKELIAN faces a maximum of 20 years in prison.

In a related matter, the Commodity Futures Trading Commission ("CFTC") today announced the unsealing of a civil Complaint for injunctive and other equitable relief in the United

States District Court for the Southern District of New York, charging ARAKELIAN and Lexington Royce with misappropriation of investor funds in violation of the Commodity Exchange Act.

ARAKELIAN, 28, resides in Brooklyn, New York.

ARAKELIAN was arrested and presented before Magistrate Judge DOUGLAS F. EATON, who ordered him to be detained.

Mr. KELLEY, a member of the President's Corporate Fraud Task Force, which is headed by Deputy Attorney General JAMES B. COMEY, praised the efforts of the Federal Bureau of Investigation, and thanked the CFTC for its assistance in the investigation of this case. He said the investigation is continuing.

Assistant United States Attorney KATHERINE POLK FAILLA is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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